

Cryptocurrency Conundrum



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Capitol Journal will be
available on April 21st.

Top Story

For years, state lawmakers generally didn't pay much attention to the growth of cryptocurrencies like bitcoin. But with the growth of virtual currency on the rise, that is changing fast.

SNCJ Spotlight

Regulators try to get a handle on Bitcoin

Although cryptocurrencies, most notably bitcoin, have been around for a few years, they've been of interest mainly to tech-savvy libertarians and investors with low aversion to risk. Few state lawmakers have devoted much attention to them. But that isn't likely to last with the presence of virtual currencies growing globally.



By Korey Clark

As a currency system, Bitcoin with a capital “B,” came into existence in 2009 when a computer programmer known only by the pseudonym Satoshi Nakamoto released open-source software allowing the secure exchange of digital currency — bitcoins with a lower-case “b” — through the use of computerized encryption and decryption algorithms. According to a paper Nakamoto posted to a cryptography email list the year before, he wanted people to be able to exchange money securely without the need for a third party such as a bank or credit card company.

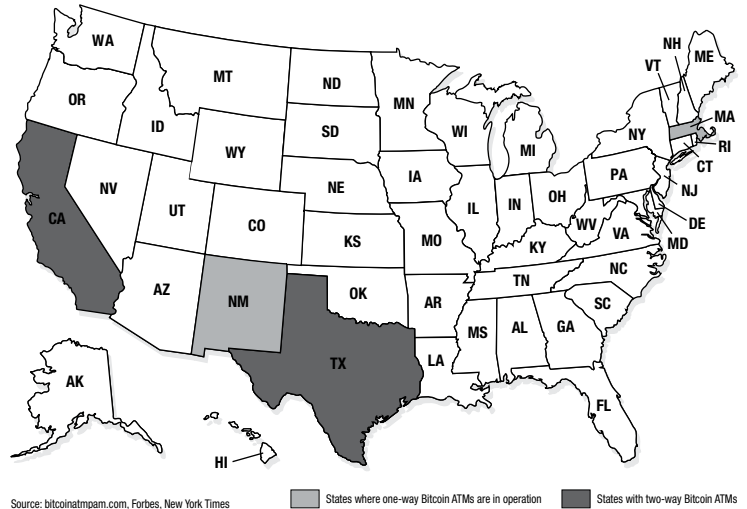
Other programmers, responding to Nakamoto’s open invitation, contributed their own code to Bitcoin, expanding its size, according to a presentation last month by David Andolfatto,

Vice President of the Federal Reserve Bank of St. Louis, to 17 MB — roughly the equivalent of 500 phone books — and making it indecipherable to anyone without “a PhD in computer science, cryptography and game theory.”

But as described in *MIT Technology Review*, when a Bitcoin user downloads and runs the software, he or she is connected via the Internet to the global network of other Bitcoin users and a pair of unique mathematically linked keys is generated. One of those keys is private and the other is public. When a user initiates a transaction, Bitcoin performs a mathematical calculation combining the user’s private key and the amount of bitcoins he or she wants to transfer with the other party’s public key. The result of that calculation is sent out across the network where all other users who are online at the time verify the transaction. Some of them, known as “miners,” then race to add the new transfer to a public ledger of all Bitcoin transactions called “the blockchain” by solving a cryptographic puzzle. Once one of them does so — and is rewarded for the effort with a certain number of newly minted bitcoins — the updated blockchain is passed along the network.

Numerous other cryptocurrencies based on similar protocols have sprung up in recent years, including Ripple, Litecoin, Peercoin and Dogecoin. As of November 2013, there were more than 60 such currencies trading at online exchanges, according to a report by *The Guardian*.

Bird’s eye view



Bitcoin ATMs come to U.S.

The first ATM where the virtual currency bitcoins could be purchased with cash began operating at a cigar shop in Albuquerque, New Mexico in February. Since then Bitcoin ATMs have been introduced in three other states, California, Massachusetts and Texas, with multiple units put in service in Boston and Austin. All of the machines allow the exchange of cash for bitcoins. But a few — built by the Las Vegas-based company Robocoin — also allow bitcoins to be exchanged for cash.



The idea of a currency free from manipulation by any government or central bank has been especially appealing to libertarians, who according to an online survey conducted last year by Lui Smyth, a University College London researcher, make up over 40 percent of Bitcoin users. So-called “techno-libertarians” — a population evidently concentrated in California’s Silicon Valley — have also been drawn to the improbable story of a bunch of computer programmers remaking the global financial system, which *Salon*’s Andrew Leonard said “felt like it was ripped from the pages of a classic cyberpunk science fiction novel.”

Bitcoin has also been very attractive to investors. Daniel Knowles of *The Economist* remarked on the BBC’s *Newsnight* that Bitcoin was designed to be “a sort of virtual gold.” (He also added: “that’s why we should be skeptical of [it],” alluding to the fact that the United States and other industrialized countries moved away from the gold standard because it opened them up to inflation and deflation caused by rising and falling demand. The St. Louis Fed’s Andolfatto, however, pointed out that you could never have a true shortage with bitcoins because even when “mining” of them ceases — which will happen once the number of bitcoins in circulation reaches 21 million — they will still be infinitely divisible.)

Last year, speculative interest, particularly in China, helped drive the value of a single bitcoin from around \$13 up to over \$1,100 (before it plunged back down to around \$500). The accompanying rise in demand also helped transform a relatively unknown Shanghai company called BTC China into the world’s largest Bitcoin exchange, trading more than 100,000 bitcoins, \$100 million worth, in a single day, *Forbes* reported earlier this year.

U.S. investors have shown considerable interest as well. Late last year, the venture capital firm Andreessen Horowitz raised \$25 million in funding for Coinbase, a San Francisco-based Bitcoin exchange and digital “wallet” service for storing as well as sending and receiving bitcoins. And the Winklevoss twins, Cameron and Tyler — best known for their claim of having come up with the idea for Facebook — amassed a Bitcoin portfolio valued at nearly \$11 million a year ago.

“We have elected to put our money and faith in a mathematical framework that is free of politics and human error,” Tyler Winklevoss told *The New York Times*.

Some national governments, however, haven’t been as willing to put their faith in the cryptocurrency. In December of last year, the People’s Bank of China, that nation’s central bank, prohibited financial institutions from engaging in Bitcoin-related business. And this past February, Russia’s Prosecutor General’s Office released a statement declaring that according to Russian law, “the official currency of the Russian Federation is the ruble” and the use of “other monetary units and money substitutes is prohibited.”

One reason for such actions is simply that the countries view Bitcoin as a potential threat to their national currencies. The People’s Bank, for instance, stated its action was taken “in order to avoid harm to the public and to the legal monetary

status of the renminbi [a.k.a. the yuan] that might occur as a result of ‘excessive speculation’ in Bitcoin and other virtual goods,” according to a post by Anita Ramasastry, a professor at the University of Washington School of Law, on the legal commentary website *Verdict*.

Perhaps an even bigger reason for the bitcoin bans is the recent association of the virtual currency with criminal activity. Last year, agents with the Federal Bureau of Investigation shut down the Silk Road, an underground website that had offered illegal drugs, computer hacking services and even hit men, and that had conducted well over \$1 billion in business since 2011, all of it in bitcoins. And in February, Mt. Gox, the world’s second largest Bitcoin exchange, based in Tokyo, suspended trading, shut down its website and filed for bankruptcy, and its CEO,

Mark Karpeles, revealed that 750,000 of Mt. Gox customers’ bitcoins, worth nearly half a billion dollars, had disappeared.

“Virtual currencies, perhaps most notably Bitcoin, have captured the imagination of some, struck fear among others and confused the heck out of many of us.”

In spite of those high-profile incidents, the U.S. government hasn’t sought to ban Bitcoin, although there does seem to be some difference of opinion about exactly how to deal with the cryptocurrency system. Last year the U.S. Treasury Department’s Financial Crimes Enforcement Network, or FinCen, issued guidance stating that virtual currency exchanges would be considered money-transmitting

business like Western Union and would consequently be required to collect information about their customers. But last month, the Internal Revenue Service issued guidance stating that bitcoins would be treated as property rather than currency for tax purposes, meaning capital gains would have to be tracked and reported on all bitcoin transactions, a potentially onerous requirement that would seem to make bitcoins far less attractive as a currency than as an investment.

“People might just be tempted to hoard rather than spend, because as soon as they spend they would be liable to incur capital gains taxes,” Pamir Gelenbe, a partner at the venture capital firm Hummingbird Ventures, which recently invested in the Bitcoin exchange Kraken, told *The New York Times*.

U.S. Senate Homeland Security Committee Chairman Tom Carper (D-Delaware) may have summed up the federal governments’ stance on the issue best in his remarks to *The Times* late last year.

“Virtual currencies, perhaps most notably Bitcoin, have captured the imagination of some, struck fear among others and confused the heck out of many of us,” he said. “Fundamental questions remain about what a virtual currency actually is, how it should be treated and what the future holds.”

At the state level, Illinois is considering a measure (HB 5886) declaring that virtual currencies don’t have “legal tender status” in the state, according to the

LexisNexis State Net legislative database. But the policy-making bellwether states of California and New York appear to be taking a less restrictive approach.

California is currently considering a measure (AB 129) that would amend a section of its Corporations Code to clarify that the current prohibition against putting into circulation anything other than “the lawful money of the United States,” doesn’t prohibit anyone “from issuing or using an alternative currency that is redeemable for lawful money of the United States,” which would certainly seem to apply to bitcoin. The bill has already passed the state’s Assembly and is now in the Senate.

Meanwhile, New York’s top financial regulator, Superintendent of Financial Services Benjamin Lawsky, began accepting applications last month for “BitLicenses” from companies dealing with the virtual currency.

“Our objective is to provide appropriate guardrails to protect consumers and root out money laundering — without stifling beneficial innovation,” he said at a conference in Washington., D.C.

Among other things Lawsky wants exchanges to be required to inform their customers that bitcoin values are extremely volatile and that they should carefully safeguard the keys to their digital wallets.

“We’ve found in other areas of the financial world that strong, clear, concise disclosures are critical to earning the long-term trust and confidence of consumers,” he said.

Trust definitely appears to be an issue for Bitcoin. A recent Harris Interactive poll indicated that while 48 percent of Americans know what Bitcoin is, few trust it and actually the more they know about it the less trust they have.

Many of the advocates for regulation seem to hold the view that the alternative of banning virtual currencies like bitcoin isn’t really viable. As Jerry Brito pointed out in the December issue of the free-market Reason Foundation’s monthly magazine, *Reason*, because of the decentralized nature of Bitcoin, there’s no “company to subpoena, no headquarters to raid, not even a server to shut down.”

Another consideration likely to have crossed the minds of those pushing for regulation was one voiced by Jeremy Allaire, CEO of the virtual currency company Circle Internet Financial, at a hearing conducted last year by the U.S. Senate Committee on Homeland Security and Governmental Affairs.

“We do not think that it is in anyone’s best interest for digital currency to become an offshore industry or an industry dominated by China,” he said.

Whatever his motivations, New York’s Lawsky had high hopes for the developing regulations.

“If we get those rules right, perhaps we can make New York and the United States a magnet for legitimate, well-regarded exchanges and other virtual currency firms,” he told *CNN Money*.

Some virtual currency businesses seem open to that prospect.

“We think California and New York will set the tone for everything else,” Fred Ehrsam, chief executive of Coinbase, told *Bloomberg* in January. “When that tone is established, we’re ready to hand in licensing applications immediately.”

Libertarians, however, aren't likely to be as receptive to regulation. But as Peter J. Henning, a professor at Wayne State University Law School and co-author of *Securities Crimes (2d edition)* wrote for *The New York Times* in February, "The

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idea that Bitcoin could be an alternative to traditional money that would allow users to conduct transactions anonymously beyond the pale of intrusive government regulators has proved to be little more than a pipe dream.”

Henning said the current regulations governing virtual currency exchanges “may not be enough to satisfy law enforcement’s desire to keep criminals from creating a new avenue for transferring value across borders.” He added that Bitcoin’s volatility is also “an invitation to unscrupulous dealers and merchants to overcharge or underpay.”

And he concluded his piece by stating:

“The days of anonymous transactions in Bitcoin and operating an exchange with no outside interference are over. As virtual currencies develop, firms devoted to aiding trading, and perhaps even their users, will encounter greater government regulation, along with the costs that come with compliance.”

— *By KOREY CLARK*

Budget & taxes

M

D COMES UP SHORT ON ‘HOUSE OF CARDS’ TAX BREAKS:

The charm of Kevin Spacey, the star of Netflix’s hit original series “House of Cards,” evidently wasn’t enough to sway Maryland’s General Assembly to meet the tax-credit ultimatum issued by the show’s producers. In February, Media Rights Capital of Beverly Hills informed Gov. Martin O’Malley (D) and the state’s lawmakers that if they didn’t provide it millions of dollars more in tax breaks, it would have to pull the production out of the state. And last month, Spacey, who plays the unscrupulous Washington politician Frank Underwood on the show, visited Annapolis in an effort to “whip” up votes for the tax-break boost.

But although the state's lawmakers agreed to set aside \$15 million in next year's budget for film and television industry incentives and had \$4 million left over from their allocation for this year, they failed last week to approve \$3.5 million more to cover the gap between that \$19 million and the \$22.5 million that had been applied for by "House of Cards" and another TV series, HBO's "Veep."

Some lawmakers simply weren't sold on the idea of giving away so much of taxpayers' money.

"At a time when we're not able to cover all the things we need to cover in the budget," said Del. C. William Frick (D), \$18.5 million for film and television incentives seemed excessive.

But the Senate rejected budget language approved by the House authorizing the state to use "eminent domain" to seize the property of any production company that stops filming after receiving more than \$10 million in tax credits from the state.

"It sent a horrible message to the business community," said Senate President Thomas V. Mike Miller.

And Miller actually seemed confident O'Malley would be able to negotiate a deal to keep the productions shooting in Maryland.

"We're going to keep them," he said at a bill signing ceremony last week.

MRC's lobbyist in Annapolis, Gerard Evans, meanwhile, said the producers of "House of Cards" "haven't given me a signal yet" about the future of the series. (BALTIMORE SUN, STATE NET)

STATES TAKE INITIATIVE ON INFRASTRUCTURE FUNDING: In the past year, six states and the District of Columbia have raised their gasoline taxes to pay for highway construction. Wyoming nearly doubled its gas tax from 14 cents per gallon to 24 cents, which is expected to generate over \$70 million for highway repairs and other projects. Pennsylvania took a different approach, scrapping its 12-cents-per-gallon gas tax and raising taxes on oil distributors to provide \$7 billion in funding for repairing and repaving its aging roads and bridges. And other states, such as Maryland, Vermont and Virginia, have revamped their gas taxes so they rise and fall with the wholesale price of gas or inflation.

A number of cities and states, including Indiana, New York and Texas, have also recently teamed up with private companies to build roads, bridges and other

In the hopper

At any given time, State Net tracks tens of thousands of bills in all 50 states, the US Congress and the District of Columbia. Here's a snapshot of what's in the legislative works:

Number of 2014 Prefiles last week: 97

Number of 2015 Prefiles last week: 0

Number of Intros last week: 1,279

Number of Enacted/Adopted last week: 1,804

Number of 2014 Prefiles to date: 20,312

Number of 2015 Prefiles to date: 77

Number of 2014 Intros to date: 69,057

Number of 2013 Session Enacted/Adopted overall to date: 40,747

Number of 2014 Session Enacted/Adopted overall to date: 13,152

Number of bills currently in State Net Database: 167,329

— Compiled By FELICIA CARILLO
(measures current as of 4/10/2014)
Source: State Net database

● infrastructure previously funded by federal gas-tax dollars or bond offerings. Those partnerships bring the total number of states using such arrangements to 11, encompassing an estimated \$15 billion in infrastructure projects, according to the trade publication *Public Works Financing*.

The state and local efforts come after years of failed lobbying to get Congress to raise the federal gas tax — the nation’s primary source of funding for highway and transit projects — which hasn’t budged from its 18.4 cents-per-gallon level for more than two decades due to partisan gridlock and public opposition. Consequently, gas-tax revenues have lagged far behind the costs of labor and material for transportation projects.

“There’s no business in the world that can be successful with expenses that grow with inflation and revenues that don’t, and yet that’s basically what’s happened” with transportation funding, said Delaware Gov. Jack Markell (D). (WALL STREET JOURNAL)

BUDGETS IN BRIEF: NEW YORK Comptroller Thomas DiNapoli reported last week that the chronic lung disease asthma costs the state over \$1.3 billion each year in medical costs and lost productivity. He also said asthma-related Medicaid expenses have risen over 26 percent in the past five years (BLOOMBERG). • **TENNESSEE** Gov. Bill Haslam (R) has proposed a budget for next fiscal year that would cut tourism spending by half, from \$8 million to \$4 million (TENNESSEAN [NASHVILLE], STATE NET). • **MAINE** Gov. Paul LePage (R) allowed a supplemental budget bill filling a \$40 million shortfall in the state’s 2014 budget and an \$18 million shortfall in the 2015 budget to become law without his signature. LePage had opposed many of the proposed budget fixes but had offered no alternatives of his own (BANGOR DAILY NEWS). • The **KANSAS** Legislature passed a bill (HB 2506) last week that allocates \$129 million to address inequities in the state’s public school funding system but also strips teachers of their right to due process hearings, a protection they’ve enjoyed since 1957 (WICHITA EAGLE, STATE NET).

— Compiled by KOREY CLARK

Politics & leadership

C A SCANDALS SPUR ETHICS REFORM: California Democrats lost their supermajority in the state’s Senate last month after Sen. Ron Calderon (D) was indicted on corruption charges, Sen. Leland Yee (D) was indicted on charges of corruption and conspiracy to traffic in firearms, and Sen. Roderick Wright (D) was convicted of electoral fraud and perjury. And the Dems, who still control

both chambers of the Legislature, have spent a good deal of time since those scandals broke trying to clean up their act.

More than a dozen measures addressing everything from fundraising rules to travel by state officials have been introduced by various lawmakers.

“There is no question that recent events are testing the public’s faith in how our government does its work,” said Sen. Ricardo Lara (D), who heads a special Senate ethics panel. “The hard work of the Legislature is too important to be sidetracked by issues of accountability of a few. We need to restore the public trust.”

Gary Winuk, chief of enforcement for the Fair Political Practices Commission, the state’s main ethics watchdog, called the new bills “some of the most significant reforms to ethics laws in 20 years,” when the state’s Political Reform Act was last overhauled.

One bill (AB 800), passed by the Legislature just before the Democrats lost their Senate supermajority and signed into law by Gov. Jerry Brown (D) this month, will give the state’s Fair Political Practices Commission the authority to conduct audits of political campaigns suspected of illegal activities before elections and even before campaign finance reports have been filed. The measure will also allow the commission to seek a court injunction to compel campaign disclosure.

The bill’s author, Assemblyman Rich Gordon (D), said it will increase the commission’s effectiveness in the current political landscape, in which nonprofit groups play a much greater role.

“This bill will give the FPPC the tools to make sure voters get what they asked for when they approved the Political Reform Act,” he said.

Jason Kaune, president of the California Political Attorneys Association, had argued the bill would give the FPPC too much authority, allowing the agency to “insert itself into the political process before an election and before an alleged violator has even filed a disclosure form.”

But Erin Peth, executive director of the Fair Political Practices Commission, said the law was “a big step towards ensuring that campaign laws are followed before the election, when it matters.”

And last month, referring to the ethics reform efforts in general, Jessica Levinson, a professor at Loyola Law School professor who focuses on election law and governance issues, said, “Oftentimes the only silver lining that comes as a result of scandals is reform.” (LOS ANGELES TIMES, REUTERS, STATE NET)

NE VOTERS TO DECIDE WHETHER TO EXPAND HORSERACE WAGERING: For the first time in a decade, Nebraska voters will be asked to consider a novel new form of gambling, after state lawmakers approved a proposed constitutional amendment for the Nov. 4 ballot that would allow wagering on pre-recorded horse races.

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was illegal the following day, so he didn't pursue it (MILWAUKEE JOURNAL SENTINEL). • Nike has contributed to the campaigns of two Republican OREGON lawmakers facing primary challenges because of their stands on social issues. The company gave \$10,000 to Rep. Vic Gilliam, who is facing a well-funded opponent because of his support for allowing undocumented immigrants to obtain driver cards, and it gave \$5,000 to Rep. Jim Thompson, who is being opposed for backing an initiative to allow same-sex marriages in the state (OREGONLIVE.COM).

— Compiled by KOREY CLARK

Governors

INSLEE SHOOTS DOWN WA DRONE BILL: Saying it did not go far enough to protect citizens' privacy, Washington Gov. Jay Inslee (D) vetoed a measure last week (HB 2789) that would have imposed strict limits on the use of drone aircraft in the Evergreen State. Inslee said he will instead bar state agencies under his control from buying or using the unmanned aircraft for the next 15 months, which he said would give lawmakers the time to produce a more well thought out policy. He also announced plans to create a task force "to better examine these complex issues and develop a fully vetted bill for the 2015 legislative session."

Under the measure, law enforcement agencies would have been required to obtain search warrants before using drones in their investigations and state agencies would have needed legislative approval to buy or use the aircraft.

The veto came as a surprise to lawmakers who overwhelmingly endorsed the measure in both houses.

"When you have emerging technologies, you do your best work and try to address the concerns," Sen. Johan Braun (R) told the *Tacoma News Tribune*. "A lot of work went into this. I hate to see us go back clear to zero, but it looks like that's what we're doing."

The veto also drew criticism from the American Civil Liberties Union of Washington's executive director Kathleen Taylor, who in a statement called it "a missed opportunity to uphold Washington's strong tradition of privacy, and protect all Washingtonians from government surveillance."

ACLU-WA lobbyist Shankar Narayan also contended that the moratorium would do nothing to prevent local governments from obtaining and using drones on their own, without any regulation or oversight from the state.

"We are now going to have another period of time where we have the Wild West, where we have no restrictions," he said.

But in a statement Inslee countered with his belief that police and local governments were "as concerned as I am about ensuring our citizens' rights are

not violated,” noting he has asked them to honor his moratorium as well. He added that, as written, the bill contained “conflicting provisions on disclosure and destruction of personal information” that “could lead to shielding government uses of this technology from public disclosure.”

Sen. Mike Padden (R), who helped shepherd the bill through the Senate, said he doubts lawmakers will override the veto in spite of the bill passing with huge majorities in each chamber. Washington lawmakers have not overridden a gubernatorial veto since 1998.

“Probably the most likely thing is the Legislature will work on it again in 2015,” he said. (TACOMA NEWS-TRIBUNE, SEATTLE TIMES, WASHINGTON GOVERNOR’S OFFICE, ACLU OF WASHINGTON, SPOKESMAN-REVIEW [SPOKANE])

COURT LIKELY TO STRIKE PATRICK’S BAN ON PAINKILLER: A

federal judge said she is likely to strike down Massachusetts Gov. Deval Patrick’s (D) ban on the new painkilling drug Zohydro, saying the prohibition is “out of line.” U.S. District Court Judge Rya W. Zobel said she would make a final decision this Monday, but indicated that she was inclined to grant an injunction sought by the drug’s maker that would allow Zohydro’s sale in the Bay State.

Patrick issued the ban on March 27, effective until “adequate measures are in place to safeguard against the potential for diversion, overdose and misuse.” His directive bars the prescription and sale of all hydrocodone-only drugs, a category that only includes Zohydro. Patrick said he wants to see the drug made crush-resistant so illicit users cannot snort or inject it.

“I wouldn’t have done it if I didn’t think we had a real emergency,” Patrick told reporters after the hearing last week. “And we have a real emergency. Zohydro is not the center of that emergency [but] it’s an example of a highly addictive painkiller, and it’s one of the few that is not in an abuse-resistant form. Put it in an abuse-resistant form, and I and many others will make our peace with it.”

The federal Food and Drug Administration approved Zohydro last October. It has come under scrutiny in several Northeast states, which are struggling with a sharp uptick in opiate abuse. Vermont Gov. Pete Shumlin (D) issued new rules last week to restrict the drug’s use in the Green Mountain State. Twenty eight attorneys general have also lobbied the FDA seeking to revoke the drug’s approval unless its maker, Zogenix, Inc., makes it more abuse-resistant. (MASSLIVE.COM, BOSTON GLOBE)

GOVERNORS IN BRIEF: A new **CALIFORNIA** Field Poll shows 59 percent of Golden State voters approve of Gov. Jerry Brown’s (D) job performance, the highest mark in the governor’s latest tenure (FIELD POLL, STATE NET). • **MAINE**

Upcoming stories

Here are some of the topics you may see covered in upcoming issues of the *State Net Capitol Journal*:

- **Tesla**
- **ACA**
- **Compassionate use**

Gov. Paul LePage (R) said last week he is now open to signing legislation that would allow family members of opiate addicts to obtain naloxone, a drug that reverses the effects of an overdose. LePage has previously been opposed to allowing broader use of the anti-overdose medication, saying it would encourage drug abusers to continue their opiate use (PORTLAND PRESS HERALD). • **NEW YORK** Gov. Andrew Cuomo (D) named a new commission to look at whether teenagers should be tried in adult courts in the Empire State. Cuomo called for such reform in his State of the State address in January. The commission members include prison reform advocates, the head of children's programs, district attorneys, judges and police chiefs (NORTH COUNTRY PUBLIC RADIO [CANTON]).

— Compiled By RICH EHISEN

Hot issues

BUSINESS: The **MARYLAND** House gives final approval to HB 295, a bill that would raise the Old Line State minimum wage to \$10.10 per hour by 2017. The bill heads to Gov. Martin O'Malley (D), who made raising the wage one of his legislative priorities this year. He is expected to quickly sign it into law (CAPITAL GAZETTE [ANNAPOLIS]). • Also in **MARYLAND**, lawmakers approve SB 75, which would bar retailers from selling alcohol of 190 proof or higher. It moves to O'Malley for review (WASHINGTON POST, STATE NET). • The **MINNESOTA** House and Senate approve legislation that would raise the Gopher State minimum wage to \$9.50 for larger businesses and \$7.75 for smaller ones by 2016. The measure, which beginning in 2018 would also increase the wage based on inflation, heads to Gov. Mark Dayton (D), who has said he will sign it into law (BRainerd DISPATCH). • The **LOUISIANA** House Commerce Committee rejects HB 239, a bill that would have capped annual interest on payday loans at 36 percent. The bill is dead for the year (ADVOCATE [BATON ROUGE]). • The **HAWAII** House approves SB 2609, which would raise the Aloha State minimum wage to \$10 per hour by 2018. It returns to the Senate (PACIFIC BUSINESS NEWS [HONOLULU]).

CRIME & PUNISHMENT: The **MARYLAND** Senate gives final approval to SB 364, legislation that would decriminalize possession of less than 10 grams of marijuana. It moves to Gov. Martin O'Malley (D), who is expected to sign it into law (HUFFINGTON POST). • Also in **MARYLAND**, the House gives final approval to HB 43, so-called "revenge porn" legislation that would make it a crime punishable by up to two years in jail to post nude or sexually explicit photos or video of someone on the Internet without their permission. It also moves to Gov. O'Malley

for review (STATE NET, WASHINGTON POST). • The **IOWA** House approves SF 2310, which would make it a misdemeanor for parents to allow minors under age 18 to drink alcohol on property they own or lease. Violators would face a \$200 fine. It returns to the Senate (DES MOINES REGISTER). • The **TENNESSEE** House approves HB 1574, a bill that would lower the maximum amount of pseudoephedrine that can be bought without a prescription to 48 tablets a month and 240 tablets a year. Pseudoephedrine is often used to make illegal methamphetamine. It moves to the Senate (STATE NET, TENNESSEAN [NASHVILLE]).

EDUCATION: VIRGINIA Gov. Terry McAuliffe (D) signs legislation that reduces the number of standardized tests required in elementary and middle school from 22 to 17. Old Dominion schools will now be required to administer alternate project-based tests (WASHINGTON POST). • **MARYLAND** Gov. Martin O'Malley (D) signs SB 332, which expands pre-kindergarten to approximately 1,600 4-year-olds in the Old Line State (WASHINGTON POST, STATE NET). • **MINNESOTA** Gov. Mark Dayton (D) signs HF 826, a bill that requires Gopher State school districts to track and investigate cases of bullying and to better train staffers and teachers on how to prevent it (MINNESOTA GOVERNOR'S OFFICE).

ENVIRONMENT: The **CALIFORNIA** Assembly Water, Parks and Wildlife Committee defers action on AB 2140, a controversial bill that would have banned the breeding of captive orcas and the use of the whales in shows at theme parks like Sea World in San Diego, until at least next year. The bill's author said lawmakers needed more time to study the issue (SACRAMENTO BEE).

HEALTH & SCIENCE: The **NEBRASKA** Legislature gives second round approval to LB 916, a bill that would allow nurse practitioners to work without formal agreement with a doctor. The bill faces one more vote before it could move to the governor (OMAHA WORLD HERALD). • Also in **NEBRASKA**, lawmakers endorse LB 526, a measure that would allow optometrists to prescribe oral steroids, oral anti-glaucoma medications and oral immunosuppressants. The measure, which would also allow them to use epinephrine, or EpiPens, when necessary, faces a final vote (OMAHA WORLD HERALD). • **VIRGINIA** Gov. Terry McAuliffe (D) signs SB 260, omnibus legislation that, among several things, extends the maximum duration of emergency custody orders for people with mental health problems to 12

The week in session

States in Regular Session: AK, AZ, CO, CT, DC, DE, FL, HI, IA, LA, MA, ME, MO, OH, OK, PR, RI, SC, TN, VT

States in Special Session: VA "a"

States in Recess: CA, IL, KY, KS, MI, MN, NE, NH, NJ, NY, PA, WI

States currently prefilming for 2015 Session: MT

States adjourned in 2014: AL, AR, CA "a", DE "b", GA, HI "a", HI "b", ID, IL "a", IL "b", IN, KS "a", MD, MO "a", MS, MS "a", NH "a", NJ "2011-12 session", NJ "a", NM, OK "a", OR, PR "a", PR "b", SD, UT, VA, WA, WA "a", WA "b", WA "c", WI "a", WI "b", WI "c", WV, WV "a", WY

Letters indicate special/extraordinary sessions

— Compiled By FELICA CARILLO
(session information current as of 4/10/2014)
Source: State Net database

hours and requires state hospitals to accept individuals under temporary detention orders when private beds can't be found (RICHMOND TIMES-DISPATCH). • **WISCONSIN** Gov. Scott Walker (R) signs seven bills that collectively address the Badger State's growing heroin-abuse problem (see "States embracing efforts to combat rise in heroin deaths" in the March 3 issue of *SN CJ*). The measures are: AB 447, which grants limited criminal immunity to someone who gets help for an overdose victim; AB 446, which increases the number of people who can legally administer the anti-overdose drug naloxone and grant civil and criminal immunity to those that do; AB 445, which requires someone to show ID when picking up an opiate prescription medicine; AB 448, which encourages communities to establish drug disposal programs; AB 701, which creates regional comprehensive opiate treatment programs; AB 702, which sets up short-term sanctions for drug offenders who violate conditions of their release; and AB 668, which adds \$1.5 million in funding annually for treatment alternatives and diversion programs that focus on substance abuse treatment for those who commit crimes (STATE NET, WISCONSIN GOVERNOR'S OFFICE). • **MAINE** Gov. Paul LePage (R) vetoes SB 552, legislation that would have expanded Medicaid eligibility to approximately 60,000 low income Pine Tree State residents and established a managed care system for all 320,000 program beneficiaries. It is the third time Gov. LePage has vetoed expansion legislation (STATE NET, PORTLAND PRESS HERALD). • **MARYLAND** Gov. Martin O'Malley (D) signs HB 625, which requires that insurers already covering cancer treatment must cover oral chemotherapy the same as they do medications taken by IV. The bill goes into effect immediately (MARYLAND GOVERNOR'S OFFICE).

SOCIAL POLICY: The **MARYLAND** House endorses SB 212, which would prohibit discrimination against transgender people in employment, housing and public places. It moves to Gov. Martin O'Malley (D) for review (STATE NET, WASHINGTON POST).

POTPOURRI: The **SOUTH CAROLINA** Senate approves legislation that would make it a misdemeanor to for someone to refuse to leave a library if asked by a library's manager or director, or to return to the library after being warned in writing to stay away. It moves to the House (STATE [COLUMBIA]). • **MARYLAND** Gov. Martin O'Malley (D) signs HB 73, legislation that overturns a law that held owners of pit bulls to a different civil liability standard than owners of other dog breeds (CAPITAL NEWS SERVICE [MARYLAND], MARYLAND GOVERNOR'S OFFICE, STATE NET).

In case you missed it

Congress, the White House and the Supreme Court have all taken stabs at dealing with so-called patent trolls. Now the states are getting into the act we well.

In case you missed it, the story can be found on our Web site at

http://www.statenet.com/capitol_journal/04-07-2014/html#sncl_spotlight

Once around the statehouse lightly

A **MAMMOTH DEBATE:** All states have a plethora of official whatevers — rocks, plants, birds, etc. Most are inoffensive enough to garner no real objections. But that is not always the case. Case in point comes from Rhode Island, where Rep. Joe McNamara’s two-year effort to have calamari named the Ocean State’s official appetizer is again floundering in committee. And as *USA Today* reports, a recent proposal in South Carolina to have the Columbian mammoth dubbed the Palmetto State’s official fossil ran into its own troubles when a Republican Senator insisted the measure include a reference from the Bible’s Book of Genesis. The mammoth bill was the brainchild of an actual child — 8-year-old science enthusiast Olivia McConnell. Hassles aside, she is likely to get her wish as the bill is now with Gov. Nikki Haley, who is expected to sign it. If so, it’ll be a clean sweep for young ‘uns. As the *Bellingham Herald* reports, Washington Gov. Jay Inslee (D) recently signed a bill naming the Olympia oyster the state’s official oyster. That bill was the suggestion of an 8th-grader named Claire Thompson. Perhaps Rep. McNamara should think about finding an Ocean State kid who really likes calamari.

JUST SAY NO TO CLEAVAGE: When it comes to the New York City subway system, breasts are just not okay. As the *New York Daily News* reports, some subway riders are steaming over on-train ads promoting a Queens plastic surgery center that specializes in breast implants. The Metropolitan Transportation Authority at first defended the ads as being within their normal standards and insisting nobody has actually complained directly to them. Wrong answer, said Howard Glaser, Gov. Andrew Cuomo’s director of state operations, who sent the agency a letter last week ordering them...uh, suggesting...they reconsider their standards to make the system more “family friendly.” Glaser not so subtly mentioned the \$190 million in subsidies the MTA gets in the Empire State budget every year. Shockingly, the agency rolled over and agreed to “revisit” its standards. Now if only it would revisit its standards concerning drunks, miscreants, riders with horrible body odor, etc. we’d be getting somewhere.

CRONUTS AND CRUSTACEANS: One of the more interesting aspects of the ongoing corruption scandal surrounding suspended California state Sen. Leland Yee is the involvement of one Raymond Chow, a San Francisco ex-con who goes by the sobriquet “Shrimp Boy.” As the *Sacramento Bee* reports, Chow’s attorneys held a presser last Thursday to portray their client as a wonderful human being who was maliciously entrapped by the FBI yada, yada, yada. They may or may not know

what will work with a jury, but it's clear they know reporters, who were provided with a table of baos and other Chinese pastry treats. That's all good — the way to a reporter's heart is through their stomach — but how could they not have had some fresh shrimp on hand? Hel-lo!

THOSE DARNED KIDS: After spending a lifetime dealing with the likes of Vladimir Putin, Newt Gingrich and her own husband, former Secretary of State, First Lady and U.S. Senator Hillary Clinton is not easy to leave speechless. But it apparently can be done, provided the question comes from a child. As the *Washington Post* reports, Clinton, the presumptive frontrunner for the 2016 Democratic presidential nomination, was taking some questions at an event in Oregon last week. The final one of the night came from a 6-year-old girl who wondered if, ahem, “In 2016, would you prefer to be called Madam President or Mrs. President?” The question drew prolonged cheers from the audience but barely a word in response from Clinton, who told the event moderator that it was a good question before bugging out for the night, leaving her fans with only a big smile and a shrug. Coy, very coy.

— By *RICH EHISEN*



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